

May 27, 2003

Department of the Interior
Minerals Management Service
Mail Stop 4024
281 Elden Street
Herndon, VA 20170-4817

Re: Relief or Reduction in Royalty Roles-Deep Gas Provisions
68 Federal Register 14868-14886

Gentlemen:

McMoRan Oil & Gas LLC ("McMoRan") welcomes the opportunity to comment on the Minerals Management Services ("MMS") proposed rulemaking covering the suspension of royalties for leases located in shallow water of the Gulf of Mexico in connection with deep gas drilling. Over the years McMoRan has actively pursued deep gas prospects in the shallow waters of the Gulf of Mexico and complements the MMS on its efforts, through royalty relief, to cause additional drilling in this relatively unexplored area of those waters.

We have had the opportunity to review the comments being provided by The American Petroleum Institute ("API") and the Independent Petroleum Association of America ("IPAA") and are in concurrence and support of those comments.

We further comment as follows:

1. As currently written under the proposed rule, a lease which has not produced from 15,000 feet or deeper could qualify for royalty suspension. Under this arrangement, any lease which has had production below 15,000', without regard to amount or time frame, or relationship to the new deep objective would be ineligible. In order to stimulate further exploration we suggest including a "1,000 deeper test". As an example, an 18,000' test would be eligible so long as there had been no production below 17,000'. This kind of test would continue to encourage even deeper exploration, 20,000' – 23,000', and evaluation of the deeper intervals underlying a lease.
2. Also, as currently written the royalty relief granted is considered on a lease by lease basis. There are a few OCS leases in the Gulf of Mexico where more

than one block is covered by a single lease. We believe each block, whether one or many, covered by a lease should be considered on a block by block basis. Thus, the relief would be applied to each block under a lease.

We appreciate the opportunity to comment on the proposed rule, and would welcome any questions you may have regarding our comments.

Very truly yours,

Glenn A. Kleinert
President

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